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Seelye, Julius Hawley

The currency question

[S.I.]

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THE CURRENCY QUESTION.

SPEECH
OF
JULIUS H. SEELYE,
OF MASSACHUSETTS,
IN THE
HOUSE OF REPRESENTATIVES,
SATURDAY, MARCH 11, 1876.

The House, being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. No. 2571) making appropriations for the legislative, executive, and judicial expenses of the Government for the year ending June 30, 1877, and for other purposes—

Mr. SEELYE said:

Mr. CHAIRMAN: I have listened here to some very interesting and exceedingly able discussions of appropriations and the general questions of finance, in which, however, the utmost variety of opinion upon these important themes has been expressed. But I believe that, notwithstanding this seeming diversity, there is one point where the members of this House and the people who have sent us here will substantially agree. If it could be positively and everywhere known that our financial affairs had settled down upon some stable basis, a sigh of relief would be wafted from every quarter of the land. What our farmers, and mechanics, and laborers of all kinds most urgently need, what our manufacturers, and merchants, and traders of every sort are actually groaning for, is some sort of stability in the monetary affairs of the nation. Without such stability our whole industry is and must be afloat without a chart or compass, the sport of winds and waves. Upon this point I am sure we are all agreed.

But, if this be true, our views ought to harmonize still further; for a stable condition of our monetary affairs is not possible on the ground upon which we have sought to conduct them for the last fifteen years. During this period the volume of our currency and its consequent value have depended, as they still do, upon acts of Congress, and these acts, various and contradictory as they sometimes have been, and uncertain as they always must be, introduce an element of instability in our finances which nothing can remove so long

Now, it may seem preposterous to hope for agreement upon any plan to put our currency upon a stable basis, but it is not difficult to see that all possible financial plans for us, comprehensively considered, resolve themselves into three, one of which we must take, and only one of which can be wise.

The first of these is the attempt to continue just as we are, with neither expansion nor contraction, a possibility which it is well for us to look fairly in the face and see whether it be actually such, or whether it be only a delusion and a snare.

Those who advocate the maintenance of our present financial policy essentially unchanged assert very different reasons in behalf of this policy and are immenurably divided in their methods of procedure. Some would have the money market left to itself, and let it run back to specie payments and others as the best means of avoiding specie payments altogether. Some would do away with our banknotes entirely and substitute greenbacks in their stead, maintaining the same amount of currency, while others would have the currency elastic expediently increased, and others would have it stretched and shortened, as the widening or narrowing demands of trade may require. But the point of agreement in them all is that: that we have an American system of currency, different from that of all the rest of the world, and that it is the duty of Congress to maintain it as such, for the honor of the nation, and by this alone our permanent financial prosperity can be secured. It is not necessary to take up severally the various methods, actual or conceivable, for adjusting this system; since if any one of them is vitally defective that defect will attach to all its applications.

Now, I affirm that the one defect in our present currency, a defect which penetrates it through and through and renders it forever incapable of performing the functions of a sound money, is that it is a currency which has originally cost no labor; it rests upon no solid ground of industry and force. If the laborer who has produced a piece of paper with it labor is cheated, and the industry of the nation, being dishonestly paid, becomes in consequence prostrate and paralyzed. In other words, we have fancied that we could actually measure the value of a piece of paper which costs no labor, and which may be used as a piece of paper which costs no labor, and which may be used as a piece multiplied to any extent without labor, and have supposed that we could make this the actual standard of value and wealth, when the one essential thing without which value disappears and wealth becomes a mere name, is wanting. If the currency of a nation can be a stable representative of the industry or the wealth of a nation unless that currency be a commodity which costs labor to produce it and is worth what it has cost for some other uses than currency. It may be any commodity you please, if it have these qualities. It may be silver, as it is in Massachusetts; it may be salt, or tin, or tea, or cowshells, as among some Asiatic and African peoples to-day; or it may be silver and gold, as from the earliest history has been the case in the civilized world. But whatever it is, it must possess these two qualities, it must be a commodity which costs labor to produce, and which, to obtain, or it cannot be truly money or furnish a truly stable currency.

[illegible]

nals must be always evil.

Here, the speaker takes the exact and hopeless difficulty with this currency of ours. It undertakes to pay for industry with that which has no industry in it, and this is a fraud upon industry which however cloaked or long concealed will at length be exposed to the ruin of Austria to Carlisle's retribution.

"On Monday," says Mr. Myrd Cardinal, God does not pay at the end of every week or month; but at the end He pays." To individuals this payment may be carried over beyond this world, but as well as for their suffer here and now.

Mr. Chairman, is any eye so blind as not to see the dire consequences of this currency of ours so now apparent in the land?

The gentleman from Pennsylvania [Mr. KELLEY] the other day paid up in sepulchral tones the funeral of a child which he had killed.

And the speaker asks, "What has brought so sad a state to seem to be the cause of this?"

Why this "suspended industry" and "entailed production," and "enforced idleness" which, in the language of the gentleman, "has added so fearfully to the list of suicides," and "has opened up to them as their only refuge with suddenly-inflated prices the doors of the penitentiaries, the houses of correction to thousands of men and women who would find happiness in enduring the penalty of the primal law, that they should be permitted to earn their bread by the sweat of their brow." We shall have to wait for the "glorious day," when the "glorious currency in the world," of which the greedy foreign nations can never deprive us; and these, upon which the gentleman has descended, are its legitimate results.

But the speaker says, "I have seen in my own town showing that, to what else can they be?"

And he goes on to say, "I have seen that 'the financial policy inaugurated by President Johnson's Secretary of the Treasury' is responsible for this state of things? But this state of things does not occur till from six to eight years after that financial policy was inaugurated."

Does the gentleman continue to say that he ascribes any part of the present condition to what he terms "the ill-judged act providing for the resumption of specie payments on the 1st of January, 1875?" But

these results began long before that act was passed or even proposed, and if anybody does not know that they are altogether independent of that act he needs something more than arguments to give him knowledge. It is not light which he lacks, but an eye. This condition is not at all an unnatural result of a currency like ours. It is a result which has always attended such a currency. It is the result which has been predicted over and over again as sure to follow the attempt to pay for labor in anything which is not the product of labor, and this result can never be remedied by any device which does not reach to the very root of the evil itself.

Therefore, Mr. Chairman, this result is not going to be changed, cannot, from the very nature of the case, be changed by making this currency interconvertible with bonds, a scheme made so famous by the persistent advocacy of the gentleman from Pennsylvania, and which I have sometimes almost thought he has intended to present as an exquisite piece of irony, or, perhaps, a magnificent piece of burlesque, in which the ridiculous results of a certain theory of the currency might appear in all their absurdity. But if this be a sober scheme, soberly presented, I venture to turn aside for a moment from the direct line of my discussion to ask what it really means. Dollars, according to the scheme, are to be converted into bonds, and bonds are to be converted into dollars, interchangeably and perpetually, as the exigencies of business shall require; but what is a dollar, and what are the bonds? Perhaps a dollar means nothing, is only a word with no more significance than those manacles which Montesquieu tells us the inhabitants of the West African coast employ in their reckoning; but I suspect the gentleman would hardly allow that his scheme stands upon this level. And yet if a dollar means anything—I will not say a definite weight, duly stamped, of gold or silver, but if it have any conceivable meaning—then this interconvertible-greenback-and-bond scheme, if it be anything other than a gigantic folly, is a stupendous fraud. Let us see. The gentleman surely will not claim that this piece of paper called a greenback is a dollar, for the greenback itself claims to be nothing of the sort. All that the greenback claims to be is a promise to pay a dollar, and this promise to pay a dollar cannot surely be the same thing as a dollar, except upon that system of logic by which a horse-chestnut is proved to be the same thing as a chestnut horse, a system of logic with which I have no doubt the gentleman often amused himself, as we all have done, in the sports of boyhood, but by which that remarkable school of political economists which he so often quotes actually guides itself in the speculations of mature life.

The greenback is a promise to pay; does this mean anything? Shall it be fulfilled? Yes, says the gentleman, we will redeem it in bonds. A given number of greenbacks shall have in return a given number of bonds. These promises to pay shall be transferred thus into dollars? No, but they shall find their full equivalent in bonds. But what then are the bonds? Why, they are only promises to pay; promises to pay, moreover, dollars again, just as the greenbacks are, and to be fulfilled and redeemed by being converted, when it comes to a pinch, into greenbacks again. One promise is paid by a second, and the second is redeemed by renewing the first, by which process, we are gravely told, our financial prosperity shall be all that we desire! But what has become of the dollar in all this juggling between greenbacks and bonds? Where is "the little joker" in this amazing game of thimble-rigging in which a great government like ours is soberly urged to engage? The dollar, whatever it is—and I will not quarrel

here about its meaning—the dollar is nowhere to be found. He to whom it belonged, when seeking for his own, finds himself the victim of a cheat, and the government which palms off such a procedure upon him becomes a party to a fraud. I am aware, Mr. Chairman, that some very extravagant financial theories are afloat among us, but I suspect that a parallel for this interconvertible-greenback-and-bond scheme cannot be found outside of a madhouse.

And yet every possible contrivance to patch up our present system, while the system itself is left essentially unchanged, necessarily involves more or less of a delusion; for the very ground-work of the system is faulty, and the fault remains, whatever its adjustments. Since the payment of labor with anything which is not a payment in kind—i.e., with anything which is not at bottom a payment in labor—is only a pretended and not a real payment, no legislation, no devices can change this pretense into a reality, any more than acts of Congress or contrivances of men can change any other falsehood into a truth. It is therefore only a puerile delusion to suppose that efforts to strengthen the so-called credit of the Government would help this matter in the least.

The credit of the Government creates no values. All that it can do is to certify to the value which honest industry has already created. The credit of the Government certifies by its coinage to the value of a given coin, but the value is in the weight and fineness of the metal coined, and not in the stamp which gives it currency. All the credit of the Government could no more give iron pyrites the value of gold than could the credit of the Government make reams of pasteboard into regiments of fighting men. Labeling the pasteboard with the titles of an army and solemnly pledging the faith of the Government that it should perform all the functions of an army would no greater an absurdity than that into which we have fallen in the treatment of our paper currency, and solemn appeals to sustain the credit of the Government would be just as appropriate in reference to one of these shams as the other. The exact and all-important point, which, though often overlooked, gentlemen should not here forget, is that governmental credit, instead of sustaining the Army, the money, the institutions, the laws of a land, needs itself first of all to be sustained by these. The credit of a government is like the credit of a man, priceless if it rests on truth, but worse than worthless otherwise.

But if it be impossible to build a stable structure, however contrived, on the basis of our currency as it is, any further extension of this currency, which is the second of the three possible courses I have referred to, would be of course the wildest infatuation. Such an extension could only end in an increase of the ills we suffer. Moreover, unless all history is false, and every financial law a fallacy, and every deduction from the past respecting the future an act of folly, any further inflation of our currency would be followed by national repudiation. Little as we like the word—and it is a healthy sign if it shocks us—yet, if we should go on inflating our currency, we could no more avoid repudiation than we could avoid the plunge of the cataraet after we had passed its brink. Gentlemen may talk about the experience of other times and peoples as not applicable to ours, and may dream of what a great nation like the United States can accomplish, but gravitation guides the great worlds as resistlessly as it does the atoms, and the greater a nation is in industry and wealth, the more conspicuously must it follow those laws of wealth, which to the wise statesman are as clear and controlling as to the wise man of science are the laws of nature itself.

But we are to be congratulated on the fact that there is little open and direct advocacy of inflation in any quarter just now. It is to be hoped that we have learned something from our experience and discussions, and the result is auspicious if we have reached a point where a further inflation of our currency, however possible, has ceased to be an immediate probability.

I have said, Mr. Chairman, that there are only three possible courses to be taken respecting our currency, only one of which can be wise. And if a further inflation is certain to bring upon us all the disgrace and disaster of national repudiation, and if our present system, de-frauding labor, as it necessarily does, of its honest rights, must, in the long run, paralyze industry, giving rise thus to innumerable delusive makeshifts and fraudulent expedients, by which we endeavor to cheat ourselves or others with the notion that the semblance of a thing is the same as the reality, then the resumption of specie payments, the only course left, will be sought by every wise man. But *hic labor, hoc opus est*. How to do this, I am free to admit, our hardiest financial problem. To see that a further inflation means repudiation, and that the attempted continuance in our present course is the continued reign of financial disaster and ruin, is much easier than to discover the sure path to the only safe end. But a wise and practical people like ours ought not to be discouraged before it.

We shall be aided toward this solution if here also we classify all the possible ways in which any one might suppose it could be reached. And, in doing this, we shall find that as there are only three possible courses for us to take in the general administration of our national finances, only one of which is wise, so there are only three possible ways of attempting specie resumption, only one of which is certain to succeed. I say only three possible ways, for I exclude the thought that our currency, unless still further expanded, can be repudiated, as an impossibility.

The first of these ways is to hoard coin until a sufficient amount has been gathered to make sure that resumption would not be a failure. This is a favorite method with some, who find easy arguments in its support, but I suspect the difficulties in its way are too great to allow it to succeed. For, obviously, it would be a very costly procedure. The gold would have to be bought in order to be stored, and the increasing scarcity caused by the increasing hoard would resist- lessly increase the market price of the gold. What shall be said, too, of the interest upon the accumulations during the time of their progress and what of the unsettling of monetary values all over the world which such a procedure would include? It may safely be said that such an accumulation of specie as would be necessary to secure a payment in coin for our present currency would produce such a financial pressure here and elsewhere that we should be forced to stop before we had finished. And thus this method of resuming specie payments is not really a possible one, though at first it might seem to be such. Moreover, if this were possible there is another way, not only easier, but incalculably more economical.

The second possibility is a return to the method so wisely adopted at the close of the war, of gradually retiring and destroying these legal-tender notes out of the superabundant revenues of the Government—a process which I hold to have been the wisest financial step and which, had it been continued as it began, would have brought us back to specie payments and prosperity long ago. But though our

surplus revenue is not now sufficient to permit, without an increase of taxation, a hopeful re-inauguration of this method, we should not forget that such a course, could it be pursued, would inevitably bring us to specie payments again. Specie payments would return at once, as we all know; no power could hinder their return if the currency as well keep the tides of the ocean from retreating when gravitation requires it. And just as surely and as clearly, specie payments can no sunlight nil a darkened chamber till the shutters have been taken down.

But if we are to have a reduction of our currency, as national honor and national prosperity and, I fear we must also say, as national safety require, and if this cannot be done by withdrawals from our surplus revenue, no other way remains than to exchange this currency for the interest-bearing bonds of the nation, payable, principal and interest, in coin. And thus we find, at the conclusion of our survey, that of all possible methods of dealing with our currency, only one is wise, and I venture to say also that, if this be rejected, we have no practicable alternative to repudiation. We may as well face this alternative first as last. We must find our greenbacks or repudiate them, with which this delusive currency oppresses us. I do not believe we shall repudiate. I have faith in the nation. And therefore I would hope that the Congress of the nation, by its original convictions I trust, and otherwise by the unflinching voice of the people, will speedily set forward some measure for funding our present legal-tender currency, the only measure which can give us monetary soundness again.

We must reduce the actual volume of our present currency in order to make specie payments possible. If it pinches, if it pains us, if it plunges us in distresses which for the time may seem intolerable, we have got to bear it if we get back to specie payments and a healthy state of business again. And if we are anything but children, if we are a wise people, who can see our sickness and its remedy, we shall not shrink from the medicine or the knife needed to make us sound again. We are not children; we are not a nation of moon-struck dreamers; our people can, they do see the difference between a dancing bubble and a building on a stable basis, and no party, whatever its name, can long maintain its hold upon them, which undertakes to no matter by whomsoever or whatsoever made—can be equivalent to the actual payment. Our laboring classes, the toiling millions by whose industry alone comes national wealth, are too intelligent to be paid, and because the doctrine, by whatever name it may be never industry, is a delusion; the workmen of the land will assuredly come to see it as it is, and will render to whatever party represents it the retribution it deserves.

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